

DIRECTORATE OF INTELLIGENCE

WEEKLY SUMMARY

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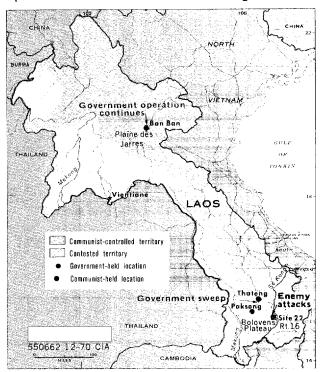
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FAR EAST

Laos: Activity on Two Fronts

Fighting has slowed following the Communists' attempt last weekend to dislodge the irregulars defending Site 22, the last major government base on the eastern rim of the Bolovens Plateau. The eastern Bolovens has grown in importance to the Communists this year because it commands the Se Kong River and Route 16; both may become key logistic routes during this dry season. The Communists also intend to increase pressure along the northern edge of the Bolovens. A government sweep operation between Paksong and Thateng, however, has not made significant contact with Communist forces believed to be in the area.

In north Laos, the government harassing operation around the Communist logistic center



at Ban Ban, northeast of the Plaine des Jarres, continues to move along slowly. Elements of three government irregular battalions headed toward Ban Ban from the northwest have met little enemy resistance. The irregular forces moving from the south have had some casualties, but they too are making slow progress.

Peace Talks Still Bogged Down

If Souvanna's critics are worried about what kind of peace the prime minister is prepared to make, they should be mollified by recent events. Sensitive to the grumbling on the right, Souvanna has gone out of his way to talk tough. Communist envoy Souk Vongsak recently complained that Prime Minister Souvanna Phouma has not yet replied officially to the proposal to halt bombing in Xieng Khouang and Sam Neua provinces before, during, and after the proposed talks at Khang Khay. Souvanna has advised his political consultative committee that the government could not accept the Communist proposal because it provides far too much leeway for the Communists to carry out military operations on the Plaine, without being hampered by air strikes. He said the Communists would, therefore, drag out the talks as long as possible without being under any pressure to make meaningful agreements.

The Communists' impatience with Souvanna may stem from his failure to come up with a significant counterproposal, although they are well aware that he is moving cautiously because of pressure from the rightists. For example, he could propose that a bombing halt be imposed in the north if the Communists refrained from military activity and withdrew some of their forces from advanced positions. The Communists might not agree, but then the onus would be on them for the lack of progress toward talks.

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Vietnam: Calm Before the Storm

A relative calm prevails in Saigon despite early maneuvering for next year's presidential election. A number of problems that plagued the government in the past have been alleviated, at least temporarily. Although new student demonstrations broke out this week and some extremists are planning further agitation, most student and veteran groups have remained relatively quiet since late summer, in part because of disputes among their leaders.

Probably the most significant favorable trend has been the improvement in the country's economy since the reform program was launched in early October. Although inflationary pressures have not been overcome, the economy absorbed a partial devaluation and substantial wage increases for government workers without the sharp price increases predicted by some observers. Moreover, the reforms helped curb speculation, dampen black market activity, and reduce windfall profits by importers.

President Thieu has made some headway in improving relations with other branches of the government. Although Thieu was criticized in October for alleged interference in the organization of the National Assembly, he has since begun to discuss pending legislation regularly with government supporters in the Assembly. Late last month the Lower House quietly passed a bill that generally met the president's budget requests for next year. This was in sharp contrast to previous years, when the subject touched off considerable debate and Thieu was unable to get what he wanted for a long time.

Despite a Supreme Court decision implying that the government should release convicted Lower House Deputy Tran Ngoc Chau, protests over Chau's continued detention have been largely confined to outspoken oppositionists, and many of these have been pro forma. The Court

itself seems less likely to invalidate executive decisions following the justices' election of a government supporter to a one-year term as Chief Justice last weekend. During the past year under an independent-minded Chief Justice, the Court has challenged the executive on several significant cases; a more sympathetic attitude would eliminate a source of recurrent political embarrassment for Thieu.

This series of favorable developments for the government could be reversed with little warning. Extremists are still trying to mobilize groups for antigovernment agitation. Moreover, the economic situation remains fragile and could easily deteriorate again. Finally, partisan activity will increase as Saigon politicians begin to line up in earnest for the election campaign, and opposition forces are certain to pose new problems for Thieu.

Hanoi Looks to the South

As for the Communists, there is growing evidence that they see the coming election year in South Vietnam as a time of opportunity. North Vietnam's Premier Pham Van Dong told

munist military prospects in the South are poor, he sees political forces at work there that will work to the Communists' advantage. Dong claimed that discontent with the South Vietnamese Government has grown, especially in urban centers, and that it will develop into a political force of great consequence. He made the unprecedented statement that this may give the 1971 elections "some significance."

For several months the Communists have been pushing the idea that new political opportunities are emerging in the South. Dong dwelled on it during a major speech in September and party leader Le Duan stressed new forms of

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25X1 ··· 25X1 · political confrontation in a lengthy address in February. Communist propaganda in recent weeks has been playing up both real and fictitious antigovernment sentiment in the South.

Dong's remarks add to the impression that Hanoi's tactics over the next year will be shaped with an eye toward political trends in the South and suggest that Hanoi intends to inject additional Communist assets into the political picture in hopes of nurturing opposition to the government.

Ups and Downs of the War

South Vietnamese forces are having some success in new military operations against long-time Communist strongholds, but government efforts against the enemy's hard core apparatus are lagging badly in certain key areas. The commander of the northern provinces reportedly is quite satisfied with the results of recent sweep operations. Although reports of heavy Communist losses may be exaggerated, a mass of reliable evidence indicates these sweeps cut sharply into the enemy's position and capabilities. Additional operations of this kind are to continue in the north and the tactics employed there may be used elsewhere.

The South Vietnamese commander in the Mekong Delta also is conducting new operations taking the fight into long-secure enemy base areas. Some 7,000 South Vietnamese troops are currently searching for Communist forces known to be based in the U Minh Forest. Contacts and casualties have been relatively light so far, but such operations are bound to make life more difficult for the Communists. Similar South Vietnamese ground offensives are under way in enemy redoubts in the Seven Mountains region along the Cambodian border and a large area in the heart of the delta. In each case, the South Vietnamese are setting up permanent artillery bases on terrain the Communists have long considered their own.

The picture is not as rosy in some other parts of the country. A sharp attack on a district town along the central coast last week, for example, again highlighted the continued strength of the Communists in that densely populated region. The assault caused 70 South Vietnamese casualties while only a handful of enemy troops were reported killed. Attacks on this scale are no longer common in the coastal districts, but the Communists mount them often enough to remind the population that they are still dangerous.

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Cambodia: On the Defensive

A strong Communist attack on government forces in southern Kompong Cham apparently has resulted in the Cambodians' worst setback since the enemy began to step up military activity in that province last month. The Communists also continued to thwart the government's cautious

efforts to reopen sections of three important highways.

Three Cambodian Army battalions defending the district headquarters town of Peam Chikang, some ten miles southwest of Kompong

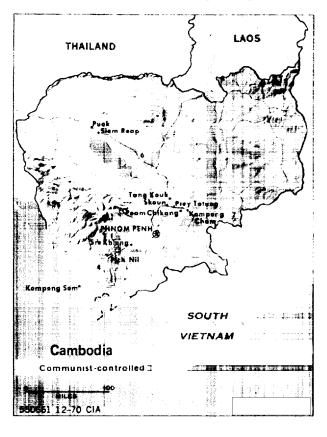
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Cham, were routed by a heavy enemy assault on 6 December. The fate of the garrison at Peam Chikang is not known; only a handful of troops have managed to find their way to friendly lines. Before losing radio contact, the town's commander claimed that over 100 of his men were wounded, and a subsequent report indicated that another 100 troops may have been killed. The attack probably was led by elements of the Viet Cong 272nd Regiment that recently moved to the west bank of the Mekong River.

The defeat at Peam Chikang also served to dramatize Kompong Cham's growing isolation,



which is rapidly lowering the morale of the city's jittery residents. Basic foodstuffs are increasingly scarce and expensive, forcing the government to airlift supplies to the city.

Elsewhere in the province, enemy harassing attacks again disrupted government efforts to reopen Route 6, southwest of Skoun, and Route 7, between Prey Totung and Kompong Cham city. These actions have forced the Cambodians to divert several battalions from the "Chenla" column that has been stalled between Skoun and Tang Kouk for three months. Prime Minister Lon Nol told a US Embassy officer on 9 December that he had asked Saigon for troops and helicopters to clear the routes to Kompong Cham.

The Communists have managed to keep this force on the defensive with about six main force battalions subordinate to the NVA 174th and VC 275A Regiments. Although the recent deployment of the 272nd Regiment improved the enemy's capability against numerically superior Cambodian forces, it appears that the Communists will continue their present economy-of-force tactics as long as they achieve results against spirited but inexperienced Cambodian soldiers. Such tactics may reflect a decision to minimize losses and to conserve supplies until later in the dry season when stockpiles may be replenished from the Laotian infiltration corridor.

Cambodian troops scheduled to try to clear enemy forces from the Pich Nil pass overlooking Route 4 remained pinned down at Sre Khlong by Communist harassing attacks, while government leaders in Phnom Penh apparently debated what tactics should be used to clear the strategic highway. In the northwest, army units re-entered the town of Puok unopposed and began an operation to clear Route 6 east toward Siem Reapcity.

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Senkaku Islands: Peking Enters its Claim

Peking's claim last week to the Senkaku Islands has enlivened the dispute over oil exploration rights in the East China Sea and will complicate the issue even further. The controversy heated up in August 1969 soon after the announcement of the discovery of potential oil deposits, which may be among the ten largest in the world. Japan and Taiwan both support rival claims to oil exploration rights in the area. Taiwan insists that the area is part of the Chinese continental shelf. Tokyo's case, meanwhile, is based on its claim that the Senkakus belong to the Ryukyuan chain which will be reverted to Japan in 1972. In spite of these conflicting claims, Taiwan over Japanese objections—granted permission to several US oil companies to prospect near the islands. Late this summer, tensions rose between both sides as a result of minor incidents involving Chinese Nationalists in the area. The situation has eased somewhat since then and the Japanese and Chinese Nationalists have formed informal committees aimed at reaching an understanding on the exploration of the oil resources.

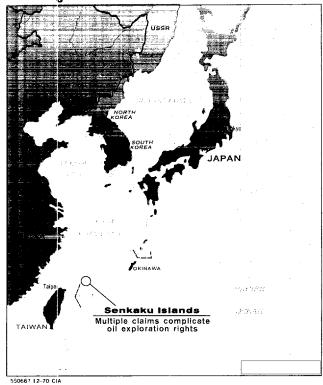
This development was probably the catalyst that brought the Communist Chinese into the fray. Peking officially entered its claim on 3 December, when a New China News Agency broadcast containing most of Peking's standard anti-Japanese propaganda themes was aired. The broadcast was particularly critical of the US and Japanese "collusion" in attempting to annex Chinese territory for Japan, and accused the Japanese of having a special need for strategic materials such as petroleum to help in their remilitarization.

Peking did not give a precise definition of the extent of its claim other than strongly objecting to exploration among the islands and water areas that belong to China. The grounds for Peking's claim, however, are presumably the same as Taiwan's, legally, geographically, and historically. The parting of the ways comes over the question of which government—Peking or Taipei—is the legitimate government of China.

Tokyo, until now, had been attempting to deal with Taipei in a very low profile manner, at least in part to avoid drawing Peking into the dispute. Given Japan's compelling desire to develop domestic sources of petroleum, Peking's public statement on the issue is likely to force Japan to take a more forceful public stand. Foreign Minister Aichi responded in Tokyo last week by reaffirming that sovereignty of the Senkakus undoubtedly belonged to Japan and that it is nonnegotiable.

Taipei's delay in reacting to Peking's announcement is almost certainly indicative of its dilemma. On the one hand, Taiwan probably sees Peking's statement as strengthening the basic argument of its own claim. On the other hand, Taiwan is probably 25X1 apprehensive that the entry of Peking into the dispute will adversely affect its ability to reach a direct settlement with the Japanese.

Peking Claims Senkaku Islands



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EUROPE

USSR: Defense Budget for 1971 Announced

The Soviet defense budget for 1971 has not been increased, according to reports presented at this week's meeting of the Supreme Soviet. The reports do indicate continued growth in science expenditures, however, and most of these funds are used for military research and development and for the space program.

Finance Minister Garbuzov stated that the defense budget for 1971 will be 17.9 billion rubles, exactly the amount announced for 1970. This is the first year since 1965 in which the Soviets have failed to announce an increase in military appropriations. Evidently Moscow aims to project an image of moderation in its dealings with the West, particularly while the Strategic Arms Limitations Talks are under way. This interpretation of Moscow's intent is strengthened by Garbuzov's claim that the 1971 budget is one "of peaceful economic and cultural development."

The published defense budget, however, excludes most spending for military research and development and for the space program. These programs are largely financed by the science budget. Preliminary reports from US Embassy Moscow indicate that science expenditures will rise by 8.3 percent to 13 billion rubles. This would imply a planned increase of one billion rubles over 1970.

The leveling off of the published defense budget is consistent with intelligence estimates of the Soviet defense effort. These estimates project total Soviet defense expenditures in 1971, including military R&D and space, at about 23 billion rubles—or the equivalent of about \$68 billion if measured in US costs—an increase of between one and two percent over 1970. The estimates attribute most of the increase to expanded military research and development.

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British Economic Position Deteriorates

The economic weaknesses inherited by Prime Minister Heath are increasingly restricting his policy options.

Particularly unsettling to his government's efforts to balance international and domestic economic requirements were a three-week dock strike and a protracted labor wrangle in the auto industry at midyear. These events, along with further escalation of wage demands, and record losses of worktime to strikes have focused the energies of the new government on wage/price restraint as the initial concern of economic strategy. Heath is facing growing inflation, substantial unemployment, and multiplying threats of strikes and demonstrations as he seeks to bring some order to labor relations through new legislation.

The balance of payments will likely show a smaller surplus this year than last. Even with a November discovery that monthly exports had been significantly underrecorded since early this year, the prospect is not good that the basic surplus in 1970 will come up to that of 1969, when a seven-year string of deficits was broken. Although exports in late 1970 and early next year are expected to show solid growth, imports also will rise, reflecting increased consumption, some recovery of industrial production, and rising import prices. As 1971 progresses, British production costs and export prices will probably rise

more rapidly than those of competitors. Moreover, the surplus in invisible transactions will probably be held down by a decline in overseas profits and some loss in net earnings from some services.

The likely decline in the UK's basic external surplus at a time of slow economic growth seriously complicates its longer run economic strategies. The probable transitional costs of accession to the Economic Community loom ever more burdensome. To meet these costs and debt service obligations Britain may have to incur higher than acceptable rates of unemployment. The government's problems in selling membership to a reluctant British public have also been complicated at the moment by a November 1970 article from the prestigious National Institute for Economic and Social Research that evinces strong doubts on whether long-run UK growth and payments prospects would be any better inside the Common Market.

A diminished payments surplus and a shaky domestic economy also will complicate renegotiation next year of the Basle Agreement of 1968, a financial arrangement to support sterling balances. London must now face its creditor nations with a decidedly disappointing economic performance.

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FRANCE: For the first time since 1966, two leading French labor unions have reached an agreement for joint action in pushing specific labor demands—higher wages, a shorter work week, and improved fringe benefits. Although the two organizations, the Communist-dominated General Confederation of Labor (CGT) and the socialist French Confederation of Democratic Workers (CFDT), represent roughly 65 percent of

organized labor, the effectiveness of their cooperation under the new agreement will be limited by ideological and tactical differences. The agreement has political significance, however, in the fact that it serves the electoral strategy of the French Communist Party (PCF), which is promoting the idea of a united opposition of all parties and organizations of the left for the March 1971 municipal elections.

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INTERNATIONAL AVIATION: A 77-nation diplomatic conference at The Hague is completing work on a draft convention to set international standards to deal with aerial hijacking. The convention is expected to be opened for signature on 16 December, and its entry into force should be rapidly accomplished. The principal focus of attention at The Hague is the US attempt to

strengthen the extradition and prosecution provisions of the draft. The intent is to increase the deterrent effect of the convention by foreclosing the possibility that a hijacker claiming political motivation might escape punishment altogether. The US proposals have been making some headway.

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European Concern With Pending US Trade Legislation

Despite strong concern over the pending US trade legislation the Europeans have adopted a cautious wait-and-see attitude on the question of retaliation, reflecting their own uncertainty as to the probability of enactment.

The European Community's (EC) concern is both for the impact on its exports in the short run and what the proposed legislation may portend in the way of a longer term drying up of trade expansion opportunities. The Community, which sells some \$6 billion worth of goods to the US annually, has shown immediate concern about possible restrictions on textiles made from synthetic fibers and on shoes, and the proliferation of restrictions that could stem from any US relaxation of the escape clause. Textile fabrics primarily made from synthetic fibers make up about two percent of total Community exports to the US, while shoes constitute about four percent of the total. The Italians are particularly sensitive to restrictions on shoes, which make up about 16 percent of Italy's exports to the US.

The Community has officially avoided any threats of retaliation, although it has emphasized it intends to act if Community trade interests are seriously impaired. A group of experts has been established to study the anticipated effect of the pending legislation. The Community could retaliate, under General Agreement on Tariffs and Trade (GATT) procedures, in the absence of adequate US compensation, by raising tariffs on US

exports of an equivalent importance to the US. A provisional list of US exports suitable for Community retaliation has been prepared, including oil seed products, grains, chemicals and office machines and equipment, but the high value of US trade that would be affected, about \$3.3 billion, suggests that it is preliminary and subject to pruning and modification. Should retaliatory trade restrictions be imposed by the Community the most likely target is US oil seed product exports valued at more than \$500 million in 1969, and accounting for about eight percent of total exports there. The inclusion of a number of financial experts in the group suggests, however, that the Community is also considering nontrade aspects of its US relations.

The Community, hoping to forestall enactment of US trade legislation, has indicated its willingness to contribute to a negotiated solution between Washington and Tokyo on textiles. It has considered giving conditional assurances that it will not increase its own textile restrictions if the US and Japan work out a voluntary agreement. Nevertheless, the Community, along with other Western European countries, most notably Sweden, is concerned about possible deflection of Japanese textile exports to Europe in the wake of a US-Japanese agreement.

The European Free Trade Area (EFTA) countries whose exports to the US total about \$3.6 billion have not indicated what action they

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would take in response to US trade legislation, although the UK, Sweden, and Finland have made especially strong protests. Because textile fabrics make up less than two percent of EFTA's total exports to the US and shoes only about one percent, the impact of the legislation on these

nine countries is likely to be less than in the case of the Community. The industrial federations of the EFTA countries have, however, joined with those of the Community in warning of the risks of a trade war.

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Portugal: Caetano Unveils Constitutional Changes

The modest constitutional reforms that Premier Caetano proposed to the National Assembly last week show his effort to begin facing the demands of modern society and remove some of the more onerous restrictions on political rights that existed under Salazar.

The most hotly contested item is likely to be the proposal for greater autonomy for the overseas territories. They would become "autonomous regions" within the unitary Portuguese state. The regions would organize their internal administrations as they wish but the central government would retain control of foreign affairs and national defense, would appoint governors, and would protect civil rights under a policy of racial nondiscrimination.

The Portuguese leader rejected any possibility that Lisbon would give up the territories and stressed the promotion of "spiritual" assimilation of the natives while the territorial administration is adapted to local conditions. Nevertheless, Caetano appears agreeable to having the territories evolve toward eventual statehood in a form purposefully left vague, without damaging immediate Portuguese interests. Also, representation of the overseas territories in the National Assembly will be increased somewhat. Whereas some critics will maintain that these changes are only window-dressing, the proposals do open the possibility for the territories of more freedom from central control from Lisbon.

The other constitutional proposals are largely concerned with rights of citizens. They increase the protection of the individual against arbitrary action of officials but do not impede the government's power to act in matters it considers vital. Thus, the judicial rights of accused persons will be strengthened and preventive imprisonment will be restricted. On the other hand, the executive is to be given the power to declare a state of siege, a right formerly reserved for the National Assembly.

Caetano presumably believes that he has a good chance of getting his proposals accepted even though they will not satisfy the liberals and will antagonize some conservatives, on whose support he still depends. In the case of autonomy for the overseas territories, national pride in the face of foreign criticism of Portugal's role in the recent incursions into the Republic of Guinea may serve to stiffen domestic opposition to autonomy.

The proposals go far beyond what would have been possible under Salazar and show Caetano as his own man. In fact, in presenting them to the National Assembly, Caetano asserted that there is a need to keep up with changing times, that the presence or absence of Salazar had not influenced policy initiatives, and that he as prime minister must judge what changes are necessary.

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Soviet Leaders Look to the Party Congress

There have been signs in recent weeks of increased efforts by some members of the Soviet leadership to improve their public images and take identifiable positions on policy issues. With the party congress now definitely set for 30 March, these efforts to influence its direction may intensify.

Brezhnev continued to dominate the news in the USSR with his attendance at the Hungarian party congress and the Armenian 50th anniversary celebration last month. His attention during the summer and fall to these republic anniversaries has paid off in political dividends. On each occasion he has picked up additional public support from regional chiefs gathered for the event. At the Armenian celebration only the Ukrainian, Georgian, and Estonian republic party bosses avoided any complimentary references to Brezhnev in their speeches.

While Brezhnev was in Hungary, Kosygin spent several days east of Moscow in Ivanovo and Gorky, where he inspected enterprises and reportedly spoke to meetings of local party and government officials about economic plans and international affairs. This is the first time in many months that Kosygin has been publicly identified with preparation of the next five-year plan. Only a few excerpts from his speeches were published, however, perhaps because of the impromptu nature of his visits.

In the same week, Premier of the Russian Republic Voronov and party secretary Suslov turned a low-level republic conference of chairmen of rural soviets into a platform for some personal statements on major policy issues. In the past, Voronov has raised objections to certain basic aspects of the regime's agriculture program as presented by Brezhnev and Polyansky, and was particularly outspoken on this score last spring when the question of agricultural allocations was being debated. In Voronov's view—which was not

upheld—Soviet agriculture needs more emphasis on innovative management and advanced agronomics and less on increasing amounts of machinery and money. His critical attitude was again evident in his speech last week. Voronov's political fortunes, which appeared to hit a low ebb after the July plenum, should get a lift from Suslov's participation in the conference. Suslov gave a lengthy address that was published in full in the central press and in the newspapers of all the Soviet republics. Suslov has long been a key figure in maintaining a balance on the politburo, particularly in placing limits on Brezhnev's power. He has been quite prominent lately and will undoubtedly have a major hand in shaping the party congress.

The extensive publicity given his speech, and the general thrust of what he had to say, suggest a serious attempt by Suslov to shape his views into a program that could be represented as a new advance toward Communism. There are hints that he would like to see a step forward in ideological formulation from the present stage of building the material and technical base to one emphasizing equal concern with building the social base of Communism.

Suslov strongly endorsed a more important role for the hierarchy of soviets as a counterweight to the state apparatus. It is evident that he views the soviets—with the party at their elbow—as vehicles to temper the overriding concern of the state administrations with production and to increase citizen involvement in civic affairs. In his speech, Suslov endorsed the proposal, put forward by a number of local party organizations, that long-range plans for each enterprise include social as well as economic goals. Mazurov is the only other Politburo member who has done so. The concept does not appear to jibe with Kosygin's idea of planning.

In a sense, Suslov appears to be advocating, if not an alternative to Kosygin's economic

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reform, at least a change in its focus. Suslov would stress the incentives of group social benefits and increased worker participation, rather than the profit motive and individual material incentives. Given the present widespread dis-

appointment with the results of the economic reform and the failure of the leadership to come up with a coherent and fresh party program, Suslov's ideas may find considerable support.

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UN: General Assembly Seeks Maritime Accords

The current session of the General Assembly is making a major effort to set in motion machinery which, by leading to a new Law of the Sea conference several years hence, could break the long stalemate on a variety of maritime issues. Most countries recognize that technological developments and unilateral assertions of conflicting claims have made new international regulations in this area an urgent matter. Nevertheless, there are sharp differences of opinion on how these new regulations should be negotiated and what they should provide; it remains unclear how these differences will be reconciled.

The US, hoping to satisfy these diverse concerns with a broad agenda approach, has proposed that a Law of the Sea conference be convened in 1973 to consider territorial waters claims, international machinery to regulate the peaceful exploitation of the ocean floor, and pollution problems. Preparation for such a conference would begin next year in several committees and continue in a preparatory meeting in 1972. The USSR has recently decided to go along with this approach because it shares with the US an interest in combating the recent wave of expansive territorial waters claims.

Objections, however, are coming from the less developed states, which have been vigorously asserting their jurisdictional rights over adjacent

waters and their special claims as poor countries to seabed resources, and from a US ally, Norway, that is a leading maritime power. Several Latin American states consider the US proposal a threat to their bargaining leverage with the superpowers on a broad range of issues. Oslo is promoting a resolution that would have next year's Assembly fix the date for a Law of the Sea conference. It would also entrust preparatory work to a single committee, which would be hard to hold down to a manageable size.

Despite these different views, there appears to be a growing disposition to tackle the maritime issues, and much of the impetus has come from the more forthcoming position of the superpowers during the past year on measures regulating the utilization of the seabeds. The US proposal that national jurisdiction stop at a water depth of 200 meters and that the ocean floor beyond be considered the "common heritage of mankind" has been widely acclaimed. In an effort to achieve agreements on other maritime subjects more vital to its interests, Moscow has also dropped its opposition to the heritage concept, even though it remains chary of creating new international machinery to implement it. Prospects are favorable that the present Assembly session will be able to adopt at least a set of principles on seabeds exploitation.

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Yugoslavia: Economic Stabilization Program Introduced

After a heated and extended debate, the regime has endorsed an economic stabilization program that includes new steps to further decentralize the economic system.

Yugoslavia is in its third inflationary crisis since 1960. Prices have been rising continuously since the last half of 1969 and the trade deficit has increased sharply during the past year. Much of the blame is being put on increased federal spending and on the government's policy of fueling excessive increases in investment, welfare spending, and imports by allowing an immoderate growth in the money supply. Token steps taken last summer to slow down spending and imports had little effect. As a result, emergency controls on imports, prices, and consumer credit were imposed in October.

Premier Ribicic has just outlined a new three-stage program to deal with the crisis. The first phase, now being introduced, consists of temporary measures to slow down spending. These include reduced government expenditures, a cutback in consumer and investment credit, and continued control of prices and imports.

Reforms in the present economic system are proposed for the second stage, to be completed by February 1971. The direct economic role of the federal government is to be reduced in favor of producers, communes, and republics through changes in the tax and foreign trade systems. Central authorities will retain those functions

necessary to regulate the market and to channel funds to underdeveloped areas. During this stage the temporary restrictive measures adopted earlier are to be abolished.

The third stage will introduce the long-delayed medium-term economic plan for 1971-75. The plan is expected to be submitted to the Federal Assembly for approval by the end of April 1971. President Tito stated that devaluation of the dinar will be necessary, but not until stabilization measures have been implemented.

Although Yugoslavia has accepted a slower growth rate for the coming years, the government still runs the risk that efforts to stifle inflation will lead to a recession. The rate of industrial growth already had slowed down considerably—well before any stabilization measures were introduced.

In the next year or two, the more pervasive political and economic decentralization now in the works may outrun the government's ability to deal with economic instability. The added power given to enterprises, and their workers' councils, may create the need for wage guidelines and a more effective tax policy once price and import controls are relaxed. Moreover, the growing power of republics, with their varying and often competing economic interests, may make it harder for the federal government to impose harsh, unpopular controls when needed to combat inflation.

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ARMS CONTROL: The UN General Assembly this week passed several disarmament resolutions, highlighted by the 104-2 endorsement given the US-USSR draft treaty limiting military utilization of the seabeds. El Salvador and Peru opposed, maintaining that the treaty impinges on their claim to 200-mile territorial waters. The treaty is

expected to be opened for signature next month, and should enter into force soon afterward. The only likely holdouts are France, Communist China, and a few Latin American states. With the seabeds treaty out of the way, the Geneva disarmament conferees will focus on chemical and biological warfare in 1971.

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MIDDLE EAST - AFRICA

Jordan: Jarash Clash Tests Cease-fire

A series of minor clashes in northern Jordan escalated to a well-planned army attack on feda-yeen positions at Jarash Monday that was carried out with few casualties. Truce committee efforts supported by Arab leaders within and without Jordan have apparently brought a restoration of the cease-fire. The tensions aroused by the fighting, however, and the army's tough line increase the danger of further serious outbreaks.

It is not clear how the train of events leading to the capture of Jarash evolved. The fedayeen apparently got wind of an army plan to attack Jarash on 6 December. This prompted them on 5 December to surround the Jarash police station from which they were removed by Arab observer teams overseeing the cease-fire. The following day, however, commandos attacked the police station, killing five and capturing 40 policemen. Numerous earlier skirmishes with the army in the area around Jarash may have incited the fedayeen to make a pre-emptive attack in order to withstand the expected army assault.

On 7 December the army attacked and recaptured the police station before taking the town itself. Fighting was short-lived; damage to property was light, but fedayeen casualties were heavy. They reportedly lost 23 killed, 118 wounded, and 320 missing and captured—among whom were some 30 Iraqis dressed as fedayeen and manning crew-served weapons.

The cease-fire remains precarious, however, as the army appears to have developed a detailed plan for slowly rolling up the fedayeen groups in Jordan to the point where they will no longer be a security threat. The assault on Jarash was the first major application of this policy, and the army will probably move next on Ajlun, about ten miles to the northwest, where many of the estimated 2,000 fedayeen fled after the fall of Jarash. Fedayeen clandestine radiobroadcasts have already warned that the army has planned to

strike Irbid as well. However, the Jordanians reportedly believe that such an attack at this time might provoke Syrian intervention and therefore they probably will not attempt to clear Irbid until the last stages of a gradual and deliberate campaign.

The seizure of Jarash has put the army astride a main communications intersection, controlling traffic moving between Amman and the Jarash-Irbid-Mafraq triangle in which most of the fedayeen are now located. The army also claims to have sealed off the Syrian border with mines and patrols in order to guard against heavy resupply from the north. A US Embassy officer driving to Amman from Syria noted Jordanian armored vehicles dug in on the hills commanding the border town of Ramtha.

The Higher Arab Military Committee and the observer teams appear to have played an important role in damping down the fighting.

In the face of this pressure the fedayeen have become more conciliatory; in a meeting with Jordanian authorities on 8 December fedayeen leaders agreed to accept conditions for an implementation of the cease-fire agreements.

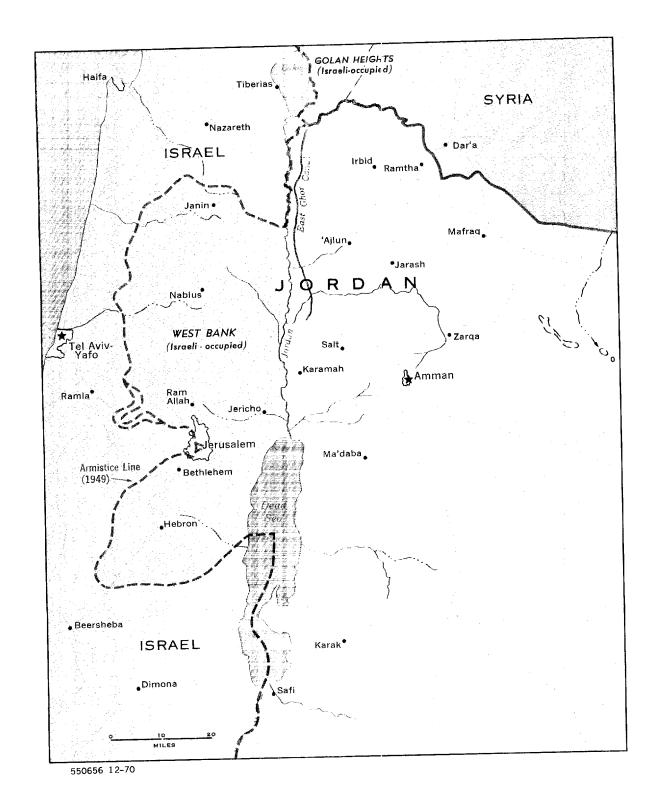
As the Jordanian Army slowly moves to gain control of the countryside, the fedayeen dilemma will become serious. If they do evacuate the towns, they will be exposed to control by the army; if they do not, the army intends to clear the towns by force, one at a time. Consequently the commandos may continue armed resistance, hoping outside pressures will bring a halt to the army's clean-up campaign.

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India Attempts to Improve its Air Force

The Indians have recently acquired 22 Canberras—an aging but still effective light bomber—that will improve India's ability to conduct strategic air missions. Ten were purchased from New Zealand and 12 from the UK.

The Indian Air Force, the largest non-Communist one in Asia, consists of some 1,500 combat and transport aircraft, comprising nearly 50 squadrons. The inventory includes about 35 different types of aircraft that have been acquired from the USSR, the UK, France, and the US as well as those produced in India under license.

Strategic air missions currently are the responsibility of three understrength light bomber squadrons equipped with Canberras. The newly acquired bombers will be used in part to replace some of India's 32 Canberras that are barely operable and in part to bring the three squadrons up to an authorized strength of 16 aircraft per squadron.

India is interested in getting a bomber with a longer range and a greater speed than the Canberra, which has an effective radius of about 1,000 miles and a speed of about 450 knots. Efforts to obtain such an aircraft have thus far been unsuccessful.

Air defense missions are assigned to 15 fighterinterceptor squadrons, of which at least seven are

UN-GUINEA: The UN Security Council this week strongly condemned Portuguese involvement in the recent raid on Conakry and called on Lisbon to provide reparations to Guinea. The Western powers abstained in the 11-0 vote for the Afro-Asian resolution, maintaining that the threat to invoke sanctions against Portugal in the event of another attack went

equipped with MIG-21FLs and eight with subsonic British Gnat day fighters.

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Gnat and the MIG-21FL are produced in India under license.

Tactical air missions are assigned to 15 fighter bomber squadrons. An additional squadron equipped with the Soviet-built SU-7 almost certainly will be added to the force early next year giving India seven squadrons of SU-7s. The Hawker Hunters and the Mysteres now in the inventory will be phased out when sufficient quantities of HF-24s, a supersonic twin-engine jet fighter being produced in India, become available. This production program is far behind schedule, however, and some of the Hawker Hunters and Mysteres will be replaced by SU-7s.

Over half of the combat aircraft in the Indian inventory are assigned to bases in northern and northwest India where they are targeted against Pakistan. Although the air force is capable of performing air defense, strategic and tactical air missions, and logistical support against a single enemy, it would need outside assistance against a joint attack by Pakistan and Communist China. India will continue its efforts to upgrade its air capabilities with the acquisition of more modern aircraft but most of these will have to be obtained from foreign sources.

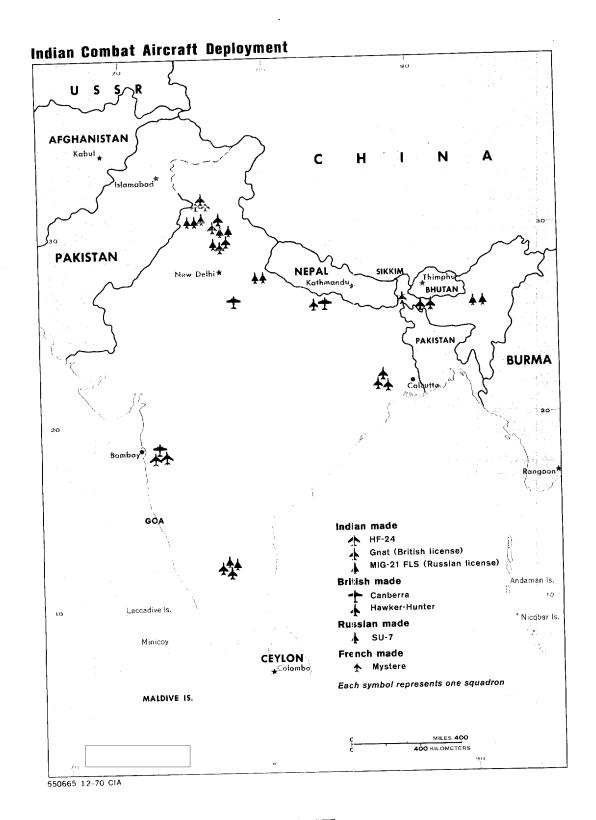
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much too far in seeking to determine the Council's future course of action. Lisbon has been designated the site of next spring's NATO ministerial meeting, but a number of Alliance governments, whose parliaments have often criticized Portugal's African policy, may have second thoughts in the wake of the Security Council decision.

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Israel - Arab States: Jarring Talks

The Israeli cabinet has deferred any decision on returning to the Jarring talks for at least two weeks. A communiqué issued after its meeting on 6 December stated that Foreign Minister Eban had presented President Nixon's reply to Mrs. Meir's letter of 2 December. Israeli sources, although describing the president's note as "friendly and sympathetic," said that it failed to meet Israeli requirements on certain specific points, including the postsettlement disposition of occupied Arab territories. The official communiqué quoted Mrs. Meir as stating that it seemed appropriate "to continue the clarifications with the United States Government." Press reports state that the cabinet was united in deciding to put off any decision on the talks until after Defense Minister Moshe Dayan's visit to the US and Eban's trip to London during the third week in December.

Dayan's visit, originally scheduled as a private, fund-raising trip, took on official character when he received cabinet authorization to speak for the government on certain specified matters. The US Embassy believes that there is probably no substantive link between Dayan's visit, scheduled to begin on 9 December and last four days, and the final Israeli decision on the resumption of negotiations, because the bulk of Israeli contacts with the US Government over the resumption of the talks are taking place through regular diplomatic channels. The US Embassy notes, however, that Dayan has been intimately involved in the formulation of Israeli foreign policy and says that he will want to explore with the US the possibility of a new cease-fire agreement and will probably want to discuss the US-Israeli military supply relationship. According to the embassy, stories published in Israel and the US claiming that Foreign Minister Eban objects to Dayan talking with the US leaders are probably exaggerated. Nevertheless, both supporters and opponents of Dayan will be keeping a close watch on his actions in Washington.

Meanwhile, Egypt is continuing its campaign to put pressure on Israel to return to the Jarring talks. Cairo has announced its intention to send a number of high-ranking delegations to several countries in order to explain its position vis-a-vis the 1967 UN Security Council resolution and its reluctance to accede to another extension of the cease-fire after 5 February. The composition of the delegation to Moscow, however, which is headed by Vice President Ali Sabri and includes the ministers of war, foreign affairs, and industry, suggests it will discuss a variety of political, economic, and military problems.

The UN General Assembly this week adopted an Arab-sponsored "Palestinian rights" resolution that the Arabs hope will be regarded as equally important as the 1967 Security Council resolution, the basic document in the search for a Middle East peace settlement. Although the Israelis publicly took their narrow defeat on this issue with relative equanimity, their patience with the UN-and thus with UN mediation efforts under Jarring's auspices-has never been great and may be reaching the breaking point. In recent General Assembly deliberations, Tel Aviv's critics have continued to denounce it for refusing to allow a higher volume of refugees to re-enter Israeli-held territory and for alleged human rights violations in the areas occupied since the 1967 war.

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Israel: Labor Party Elections

Internal political jockeying in Israel has become somewhat more active after a year of relative quiet on the domestic front following the Knesset elections of November 1969. On 13 December the Israel Labor Party will vote for delegates to the party's first elected convention, to be held in the summer or fall of 1971. Because the convention will choose the new party Central Committee which in turn will choose Israel's next prime minister, the election will be closely watched.

Of the 3,000 delegates to the convention, 75 percent will be chosen by party members in direct, personal, secret vote while the remaining 25 percent will be chosen by the leadership of the three factions that united to form the Israel Labor Party in January 1968. The dominant MAPAI faction, led by Prime Minister Golda Meir and former party secretary general Pinhas Sapir, will choose 13 percent while the Ahdut ha-Avodah faction, headed by Deputy Prime Min-

ister Yigal Allon, and the Dayan-controlled RAFI faction will each choose six percent.

Political observers believe that the election will probably produce no great change in the balance of forces within the party, although the two smaller factions of the party will probably lose some ground because MAPAI was more successful in the party registration drive held last spring. Supporters of Defense Minister Moshe Dayan, however, are hopeful that the election will give him increased leverage at the local level although they are said to realize that significant changes in the structure of the party cannot be made through this election. Dayan has never commanded much strength among the party regulars. His popularity with the public, however, is extremely high, on occasion greater than that of Mrs. Meir. His personal supporters in the party cross factional lines and are concentrated among the young.

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Pakistan: Elections

In elections on 7 December for the National Assembly, Pakistanis appear to have repudiated both the traditional ruling groups and the military regime. Although the military was undoubtedly concerned that the election indicated less popular backing than they had assumed, they may be reluctant to take overt action.

At stake were 153 seats in East Pakistan and 138 in the west. Nine East Pakistani races have been postponed because of the cyclone, and 13 women members are to be appointed by the elected assembly.

In East Pakistan, Mujibur Rahman's Awami League (AL) won 151 seats and appears assured of obtaining an absolute majority in the 313member assembly when the remaining 16 East Pakistani seats are filled. Former foreign Minister Bhutto's Pakistan People's Party (PPP) won 81 seats in West Pakistan, roundly defeating parties representing traditional ruling groups.

The main task assigned to the National Assembly is the drafting of a constitution, which President Yahya Khan will accept or reject. He has allotted the National Assembly 120 days after its membership is completed for the task.

One of the main issues facing the constituent assembly will be the relationship between the central government and the provinces. The AL

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advocates extensive provincial autonomy, but, with a good prospect of controlling any future central government, now might moderate its stand. If it does not, the AL could find itself in a direct confrontation with the military. Bhutto has not favored all of the AL's demands, but neither has he taken a position on autonomy so firm as to preclude considerable compromise.

Although the AL is somewhat more moderate on economic reform, there is no ideological gulf between the two parties, and Bhutto's rhetoric may be more radical than his intentions.

The military will continue to control Pakistan's foreign policy until an acceptable constitution is written, and any Pakistani government will have difficulty finding an alternative to the current policy of balancing relations with the US, USSR, and China. Nevertheless, when the politi-

cians come to power, Bhutto and Mujib will have foreign policy differences. Mujib favors trying for accommodation with India; Bhutto, a sharp critic of US policies, takes a hard line toward New Delhi and advocates closer relations with Peking. Both, however, favor withdrawal from CENTO and SEATO.

Elections have presented the military with a dilemma. They had hoped for moderate victories that would have allowed a transfer of power to "responsible" politicians under an "acceptable" constitution. The threat of military intervention might moderate the politicians, but the military could eventually face a choice between handing over Pakistan to men they do not trust or risking a violent reaction—especially in East Pakistan—to overt military interference in the political process.

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OAU-Guinea: Denunciation of Portuguese Raids

Major General Gowon, head of the Nigerian Government, opened the special session of the Organization of African Unity (OAU) in Lagos this week in a relatively restrained manner. Forgoing strident attacks on Portugal or its allies, Gowon called upon the meeting to consider four tasks: how to help Guinea defend its sovereignty and territorial integrity; how to ensure that other African countries are secure from foreign aggression; how to pursue more resolutely the task of liberating African territories still under colonial rule; and how to improve OAU procedures in order to respond more rapidly to future emergencies. Gowon made no mention of specific proposals, such as the formation of an "African High

Command," and gave no indication of what action Nigeria might be willing to support.

Despite Gowon's restraint, the OAU will almost certainly denounce the Portuguese attacks on Guinea in even stronger terms than did the UN Security Council, and some members will probably link the attacks directly with NATO. Moreover, Guinean fears of further Portuguese incursions have risen again. If Guinea should again appeal for aid, the OAU might provide more direct military support than otherwise would have been the case. Although the majority of African governments are probably still opposed to extensive mutual security arrangements, few would hesitate to endorse OAU support for Guinea in the face of further attacks.

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WESTERN HEMISPHERE

Chile: Rivalry Among Allende's Backers

President Allende's preference for leftist extremists is viewed by orthodox Communist Party leaders as a threat to the consolidation of their political power.

Allende is relying heavily on members of his own radical Socialist Party (PS) in organizing the coalition government and is also favoring activists of the terrorist Movement of the Revolutionary Left (MIR), which is not part of the governing Popular Unity (UP) coalition. The Communists, who consider themselves the architects and most important members of the UP, suspect that the Socialists are trying to dominate the new government. They believe the MIR is a dangerous enemy that should be eliminated. Communist Party (PCCh) leaders complain that Allende is indifferent toward UP congressmen, particularly Communists, and does not advise them of his plans.

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the PCCh also opposes PS plans to dissolve the 14,000 local UP committees that were formed during the election campaign. The PCCh, which controls most of the committees, looks on them as an important base from which to expand its political power and as a means to pressure and criticize the government if it gets out of line. The PS, on the other hand, would like to replace the committees with groups not responsive to PCCh direction.

Composed largely of upper-class radicals, the MIR has developed from a terrorist group of students into an adept and determined political

force increasingly at odds with the Communists. Allende relies on MIR members for his bodyguards, and his nephew was one of several top MIR leaders who counted on his tolerance when they showed up publicly at the University of Concepcion last week, although they have been fugitives from criminal charges for many months. They appeared there to bolster MIR forces in a violent confrontation with PCCh goon squads over control of the student organization. The outbreak was settled personally by Allende when he forced the PCCh to agree to a combined slate of UP and MIR student officials that favors the MIR. In his condolences to the MIR over the death of one of its members in the confrontation, Allende seemed to associate himself with the group.

The MIR's adaptability to the opportunities and rivalries that now exist in Chile contrasts with the approach of the PCCh thus far. The Communists have shifted from their former, more subtle tactics to obvious and aggressive moves that are designed to intimidate and weaken their opponents. This indicates that PCCh leaders believe they must move fast to carry out basic revolutionary changes that will extend their control and preclude action against the party. These tactics appear to have backfired, at least partially, because the opposition has stiffened, and the Christian Democratic Party, which has had difficulty recovering from its humiliating defeat in the election, is showing more unity. Some of the few media not under government control are also expressing alarm over strong-arm PCCh acts, carefully distinguishing the Communists from Allende.

In a press conference on 8 December Allende emphasized that the PCCh is just one member of the UP and said that it does not and will not give orders in his government. The President's reliance on Socialists, the PS-sponsored MIR, and on other Cuban-oriented Chileans seems to be an attempt to strengthen his own political base, possibly in an effort to offset Communist intentions to direct the course of his government.

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Cuba: Uncertainty, Austerity Mark Castro Speech

The tone of Fidel Castro's rambling speech on 7 December indicates that he still has some doubts about the level of his popularity. He acknowledged that he is proceeding-albeit cautiously—with the many innovations he promised following the 1970 sugar harvest debacle, but he seems unwilling to adopt forceful measures that would increase production and stimulate the workers. Nevertheless, the depth to which he is immersing himself in the business of reshaping Cuba's political and administrative machinery is firm evidence that, despite his inability to manage the economy and run the country efficiently, he has no intention of delegating a significant share of authority or of detaching himself from the middle and lower levels of decision-making processes.

Castro's apparent uncertainty about his popularity, which first surfaced on 26 July when he outlined the country's numerous economic problems, was reflected in his uncharacteristically submissive attitude. The aggressive confidence noted regularly in speeches of previous years seems to have been replaced by a marked hesitancy, particularly when proposing measures that might prove unpalatable to his audience. In discussing communication between the workers and the administrators, for example, he digressed for a moment to lament that "I do not have someone with whom to talk, for this is a premiership in the abstract." At one point, he gratefully acknowl-

edged the applause of the crowd and admitted that he had been worrying because, "I have to be constantly spoiling the party" with unpleasant news and unpopular demands. Later, he made a brief apologetic admission—confused and almost out of context—that his prestige was at stake presumably because of unfulfilled promises. He promised on closing that he and other leaders of the revolution would not ask the workers to do anything that he was not prepared to do himself.

Low worker productivity continues to be a major economic problem, and absenteeism is rampant despite the government's threats of restrictive measures. The population apparently has not yet recovered from Castro's confirmation on 26 July of the deplorable state of the economy, and his latest speech contained even more distasteful news. He set the 1971 sugar harvest goal at 7 million metric tons—"the country's minimum need"-and then announced that it has already fallen behind schedule. He also postponed until the harvest's completion, as he did last year, all Christmas and New Year's celebrations as well as that of his regime's twelfth anniversary. In lamenting the country's economic headaches, he admitted that "we are going to have problems for years." He announced nothing that could be expected to provide suitable motivation for the workers or to give the population in general something to look forward to as a light at the end of the tunnel.

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Brazil: Abduction of Swiss Ambassador

Early on 7 December, Swiss Ambassador Giovanni Bucher became the fourth foreigner kidnaped by Brazil's urban terrorists.

In an operation similar to the abduction of the West German ambassador last June, the Swiss diplomat's car was halted in downtown Rio de Janeiro by several terrorists who shot the federal policeman guarding him. The officer later died. Leaflets left at the scene identified the kidnapers as members of an action group of the Popular Revolutionary Vanguard (VPR), although the

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wording led the press to attribute the operation to the National Liberating Action (ALN) organization.

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fact that the government already had one, as well as for the names, apparently was a ploy to give police more time to find the diplomat and his abductors, and to prevent the terrorists from invoking a 24-hour deadline for the government to start negotiating.

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In a communiqué, the terrorists demanded the release of 70 prisoners and their safe passage to Chile, Mexico, or Algeria; immediate publication of messages to the government and of a political manifesto; and free travel "during the negotiations" for passengers on two commuter railroads serving Rio de Janeiro. The government held the communiqué very tightly and used censorship to keep the demands from being made public while police scoured Rio de Janeiro in search of the kidnapers. If they found the site where the ambassador was being held, the police were prepared to attack it in order to apprehend the terrorists, even at the risk of having him killed by his abductors.

On 8 December the government received a letter from the diplomat saying he was in good condition. The following day, however, the Justice Minister asked for such a letter, as well as for a list of names of prisoners the terrorists wanted freed. The request for a letter, despite the

Although a terrorist manifesto was published to secure the freedom of the West German ambassador, there could be strong opposition by military and security officials to repeating this action now, especially if the document contains references to the extremely sensitive torture issue.

Despite serious losses of leaders and cadre, Brazilian urban terrorists are capable of effectively planning and carrying out spectacular operations, even against targets that have police protection. If the reports of greater cooperation among revolutionary groups are accurate, more joint operations such as kidnapings are likely.

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VENEZUELA-COLOMBIA: Venezuelan President Caldera is taking a more forceful stand on relations with Colombia. At a press conference last week Caldera said that the 200,000 to 400,000 Colombians living in Venezuela illegally would have to leave. The Colombians migrate there because they get higher wages, but often only add to unemployment, become a burden on public health services, and in some cases turn to smuggling, crime, or prostitution. Colombia is concerned that these people are being mistreated by the Venezuelans and is also worried about the economic consequences if all are forced to return home.

Caldera is also taking a stronger than usual attitude on Venezuela's dispute with Colombia over possession of the possibly oil-rich Gulf of Venezuela. Colombia claims that a large area of the Gulf belongs to it, but Venezuela maintains that all of the Gulf except for the territorial sea off the Guajira Peninsula is Venezuelan territory. Negotiators met in Rome for two weeks in November but failed to reach any agreement other than to schedule another meeting next March.

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Uruguay's Terrorists Persist

The Tupamaros seem to have weathered the first months of the Pacheco government's accelerated antiterrorist campaign. During the last several weeks, the guerrillas have continued to carry out widespread raids and assaults despite heavy losses inflicted by the security forces.

The latest outbreak of urban violence struck Montevideo in late November and has continued this month. Important communication facilities, including the International Telephone and Telegraph center, have been bombed by the Tupamaros and robberies by suspected Tupamaros have netted about \$30,000. Several neighborhood headquarters of progovernment political groups have been attacked, and numerous other targets have also been assaulted. Earlier in November, the terrorists engineered the largest robbery in the country's history—a wellcoordinated \$1.5 million jewelry holdup in which kidnaped bank officials were used to gain access to the vaults. In September, US-associated firms were the primary targets of Tupamaro attacks and sustained more than \$250,000 in damages.

In conjunction with the more spectacular operations aimed at embarrassing the government, the urban guerrillas have kept up a persistent campaign of low-level harassment designed to attract a steady flow of publicity. This has included taking over local theaters and factories long enough to propagandize the organization's political line. The Tupamaros appear to have temporarily drawn back from the attacks on military and police personnel that characterized their operations around midyear.

Some of the guerrillas' operations have not borne the smooth professional stamp that usually characterizes their missions and may have been training exercises. This indicates that the security forces have had some success in their antiterrorist campaign (more than 250 suspected Tupamaros are now in jail) and have forced the organization to employ less experienced members. It also indicates, however, that the Tupamaros continue to attract youthful adherents committed to the violent overthrow of the Pacheco government.

The violence is part of the organization's long-term strategy, designed to destroy the governmental structure. It is probably also coupled with the short-term, and thus far unsuccessful, objective of intimidating the government into granting concessions for the release of the two kidnap victims who have been held for more than four months. Administration officials still refuse to comply with the Tupamaros' primary demand that their political manifesto be published. A measure of the Tupamaros' success in disrupting the political and economic life of the country can be determined by what effect the violence has on the current tourist season. The vacation months bring in foreign exchange which is especially important this year because the peso is under considerable pressure.

Montevideo also recently witnessed the first appearance of counterterrorism in response to the Tupamaros. A group calling itself the National Armed Defense has carried out several bombing attacks against the homes of relatives of known Tupamaros and has pledged further reprisals.

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